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Capital
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NEWSLETTER

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The Chairman's Message

Dear Readers,
Greetings from Capital Sprout!

It gives me immense pleasure to share with our clients, friends and readers across the globe the June 2022 issue of the Capital Sprout's Wealth Bulletin.

Global growth and inflation concerns are keeping investors up at night. Massive Supply chain disruptions have exacerbated in recent months, owing to a storm of multiple developments.

This edition features articles on a variety of recent developments in the wealth and global economy space. With a particular focus on effect of supply side shock to the economy, hurting growth and lifting inflation. We have given the comparative analysis of how supply chain disruption affects the economy's ability to produce and deliver goods, causing shortages, lifting inflation and affecting global stock market.

The COVID-19 pandemic has led to massive supply chain disruptions due to undiscovered supply chain vulnerabilities caused by government-imposed economic restrictions including transportation disruptions worldwide, which adversely impacted the normal functioning of the firms. Over the period, the government has gradually removed most of the restrictions and the firms have made concerted efforts to speedily recover from supply chain disruptions.

The risk are large and to the downside from escalation in the Russia-Ukraine war leading to shortages of raw materials as global supply chains continue to remain distorted, even before they could recover from the pandemic-led distortion.

Still, amidst these adverse international developments, the Indian economy is relatively better placed to strengthen the recovery underway and improve macroeconomic prospects as we advance.

CA DR Rajesh Khandol

Supply chain disruptions and the effects on the Global Economy

Global supply chains have been badly scrambled since just after the COVID-19 pandemic struck two years ago. Factories and ports closed as nations in much of the world shut down their economies at different times to contain the highly infectious virus. Production and shipping were disrupted, resulting in shortages for a wide range of goods, much higher transportation costs, and inflation.

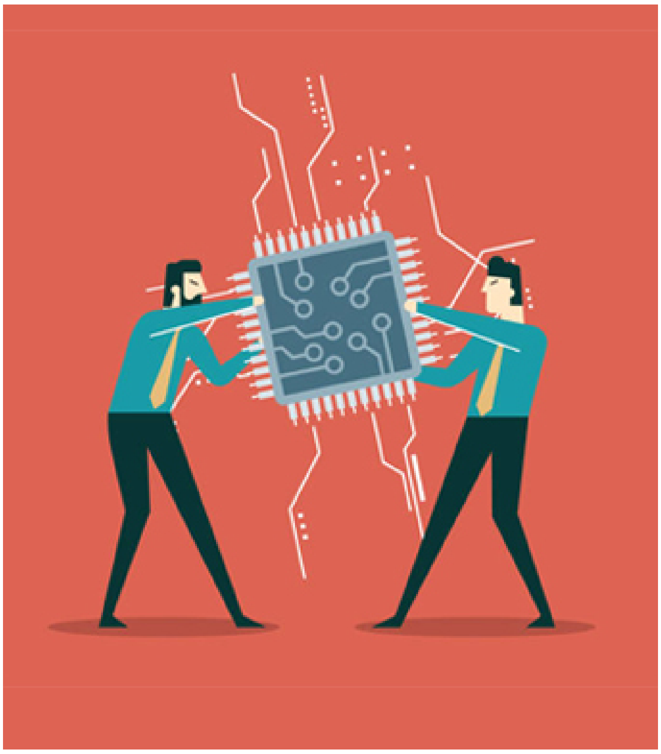
The pertinent issues that are putting a drag on activity and trade at the global level include:

(1) Difficulties in the logistics and transportation sector:

Global shipping of merchandise goods has been severely disrupted owing to container misplacement and congestion on the back of not only the rapid recovery in the global economy, the rotation of consumption demand from services to goods, and the associated high import volumes, but also port closures because of localized and asynchronous outbreaks of COVID-19.

As a result, shipping costs, especially from the main Asian ports to the United States and Europe, have skyrocketed since the end of 2020.

(2) Semiconductor Shortages



Semiconductor shortages started to materialize in the second half of 2020 and are especially pronounced in the automotive sector.

During the great lockdown, car producers reduced their chip orders, while demand for chips used in other electronic equipment rose significantly (mostly on account of the work from home instruction).

Producers were surprised by the sharp increase in new car orders in the second half of 2020, and with little spare capacity left in the semiconductor industry, chip production was unable to keep up with the high demand –possibly also as a result of under investment in the years prior to the pandemic.

(3) Pandemic-related restrictions on economic activity

The impact of the Covid-19 pandemic has been disastrous for the global supply chains, with persistent effects since early 2020, and knock-on effects now gaining intensity.

The varying trends of economic recovery, lockdowns, and slowdown, at different points in time, in different hubs across the globe have clogged the movement of goods across borders.

The pickup in vaccination in advanced economies encouraged a rebound in global economic recovery, which, in turn, has accentuated supply shortages.

(4) Labour shortages

Labour shortages appear to be less widespread and more concentrated in certain economies, such as the United States and the United Kingdom. In both countries, indicators of labour market tightness are already above their pre-crisis levels, in contrast to the slow recovery after the global financial crisis.

Declines in both matching efficiency and labour force participation partly reflect increases in unemployment benefits, early retirements and the need to care for children and other family members during the pandemic, as well as are reluctance to work in contact-intensive sectors.

Supply chain disruptions have a negative impact on global industrial production and trade and on inflation

The effects are greater on trade than on industrial production as the weakness in the logistics sector disproportionately affected trade.

Moreover, the shift towards domestic suppliers and domestic goods might have mitigated the repercussions on industrial production.

Supply chain disruptions have a significant – and increasing over time effect on prices.

Impact on Global Stock Exchange

It can be expected that while the snarls at ports, container clogging, and labour shortages in advanced nations can be overcome shortly, issues such as energy shortages, and the lack of shipping availability and chip supplies would likely take much longer.

Rising real-time production delays could crimp sales and drag down corporate earnings and economic growth. Businesses may have to curtail production due to a lack of semiconductors and electronic components. That could also slow the labor market's recovery.

In the table below you will find returns of each global indices in the last six months The Indian indices has emerged being least volatile compare to other indices. Hence, Amidst these adverse international developments, the Indian economy is relatively better placed to strengthen the recovery underway and improve macroeconomic prospect.

INDICES	COUNTRY	AS ON 31-12-2021	AS ON 30-06-2022	CHANGE IN %
NIFTY 50	INDIA	17,354	15,780	-10%
NASDAQ	USA	15,645	11,028	-42%
S&P 500	USA	4,779	3,785	-26%
DOW JONES	USA	36,398	30,775	-18%
FTSE 100 LONDON	UK	7,384	7,169	-3%
JPX NIKKIE INDEX	JAPAN	27,821	26,393	-5%
SGX NIFTY	SINGAPORE	17,424	15,814	-10%
SHANGAI COMPOSITE	CHINA`	3,640	3,398	-7%

Performances

Equity Market

Indices	01st June 2022	30th June, 2022	High	Low
BSE S&P SENSEX	55,381	53,018	55,818	51,360
NIFTY 50	16,523	15,780	16,628	15,293

Mutual Fund

During the month of May-22. Net outflow in Debt Mutual fund is **1.14 Lakh crore** but Net inflow in Equity oriented fund is **Rs. 0.28 Lakh crore**

AUM Data of Mutual Fund for the Month of May - 2022

(INR. In Lakh Crore)

Particulars	AUM As On 30-04-2022	Fresh Fund Mobilize During May-22	Redemption During May-22	AUM As On 31-05-2022
Total AUM of all mutual funds scheme	37.29	8.42	8.49	37.22
AUM of equity oriented (growth) schemes	13.13	0.32	0.13	13.31

Source: Association of Mutual Fund of India (AMFI)

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
MAY-22	12,286	5,65,706
Weightage of SIP AUM in total AUM		15%

FII & DII Inflow/Outflow Position

FII's are selling continue in the month of June 22. At the same time, DII's shows bullish trend in similar period. FII'S Net outflow in Cash segment **Dec-21 to June-22** is approx **Rs. 3.19 Lakh crore.** DII's Net Inflow in Cash segment during **Dec-21 to June-22** is approx **Rs. 2.62 Lakh crore** which shows the positive impact in Mutual fund industry.

Inflow/Outflow position in the month of June - 2022

(INR. In Crore)

For The Month Of June	Gross Purchase	Gross Sale	Net
FII	1.21 Lakh	1.79 Lakh	- 0.58 Lakh
DII	1.34 Lakh	0.87 Lakh	+0.47 Lakh